



City of Sunnyvale Memorandum

TO: City Council
FROM: Robert Paternoster, Community Development Director
THROUGH: Amy Chan, City Manager
DATE: September 8, 2005
RE: Four Points Sheraton Site Fiscal Impact Study

The attached document is a fiscal analysis submitted by the applicant for the Four Points Sheraton site. The applicant indicated that they completed this report at the suggestion of a Council Member during private briefings. The purpose of the study is to help determine the financial impacts/benefits of the proposed project to the City. The project is scheduled for City Council review on September 13, 2005.

Staff received the analysis from the applicant after the report to Council had been prepared, so there was not sufficient time for staff to complete a review of the information.

If you have any questions, please contact Steve Lynch at (408) 730-2723 or e-mail to slynch@ci.sunnyvale.ca.us. Thank you.



**Economic &
Planning Systems**

Real Estate Economics

Regional Economics

Public Finance

Land Use Policy

TECHNICAL MEMORANDUM

To: Lyle Boll, Millennium Hotels and Resorts
From: Jim Musbach and Méline Raffin
Subject: DRAFT Fiscal Impact Study of Sunnyvale Project; EPS #15104
Date: September 2, 2005

This memorandum describes Economic & Planning Systems, Inc.'s (EPS) fiscal evaluation of the Sunnyvale proposed hotel and condominium project (the project). The purpose of the analysis is to provide the City and the developer with a snapshot of the fiscal impacts of the project at the time of its completion, which for the purpose of this analysis is anticipated to be 2008. EPS also compared these estimates to what would be associated with a "no project" alternative, which estimates the net fiscal impact of the existing Four Points Sheraton Hotel (the existing hotel).

This fiscal analysis uses a per-equivalent dwelling units approach to estimate the incremental General Fund costs to the City of providing services to the project and standard estimating procedures to estimate new revenues. The sections below provide a summary of findings and a description of the project, methodology, assumptions, and results of the analysis.

SUMMARY OF FINDINGS

Millennium Hotel and Resorts has proposed a 244-unit condominium and a 253-room hotel project (see **Table 1**). The fiscal impacts on the City's General Fund are described below.

1. **The project will generate sufficient revenues to cover the costs to the City of providing public services.**

At buildout, the project is expected to generate about \$1,314,000 in annual revenue to the City's General Fund and \$408,000 in annual costs to the City's General Fund (see **Tables 2 and A-13**). Taken as a whole, the annual revenues generated by the project are expected to exceed annual costs by about \$906,000 at buildout.

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2. **The revenues for the existing Four Points Sheraton Hotel are expected to exceed annual cost by approximately \$675,000 each year at buildout.**

In 2008, the Four Points Sheraton Hotel is expected to generate about \$813,000 in annual revenue to the City's General Fund and \$138,000 in annual costs to the City's General Fund (see **Tables 2 and A-13**).

3. **The two scenarios result in differences in the City's General Fund net annual fiscal balance.**

The project is expected to generate higher annual costs to the City's General Fund (\$408,000) than the existing hotel (\$138,000), as a result of the potential 552 new condominium residents (see **Table A-1**). However, the proposed project is also expected to generate higher revenues (\$1,314,000 versus \$813,000). As a result, the net annual fiscal balance for the project exceeds that for the no project alternative by \$231,000.

PROJECT DESCRIPTION

The proposed project is the conversion of an existing hotel to a mixed-use condominium and hotel. The 8.83-acre site at 1250 Lakeside Drive, next to the 101 Freeway, is currently occupied by a 378-room hotel, the Four Points Sheraton, which is owned and operated by the project developer Millennium Hotels and Resorts. The existing hotel would be demolished and the site divided into two parcels, one for development of 244-unit condominiums, including 31 below market rate units, and the other for a 253-room four star hotel.

The condominiums will have a range of one to three bedrooms averaging 1,000 square feet each and include eight penthouse units. Parking will be provided for approximately 440 cars at grade, partially covered by a landscaped podium and another two-tiered parking structure above grade. The proposed hotel will include 12,005 square feet of meeting space and wedding venue, 3,000 square feet of restaurant and bar, 2,000 square feet of retail, and a health club. Parking will be on grade and on a two-tiered structure for approximately 300 cars.

Based on the marketing work conducted by The Ryness Company, Millennium Hotel and Resorts expects the market rate condominiums to sell at an average per-unit price of \$607,000. The below market rate units are expected to sell for an average price of \$214,000, per the City of Sunnyvale.¹ The average household size is assumed to be 2.25 persons for the market rate units and 2.75 persons for below market rate units. It is assumed that the average persons per household for market rate housing is lower than for below market rate housing because condominiums tend to attract singles and younger couples without children while below market rate housing tends to attract families with a larger number of persons per household. At project buildout, the development will accommodate approximately 552 residents.

¹ See Below Market Housing Program application; August 01, 2005.

METHODOLOGY AND RESULTS

The fiscal impact analysis measures the impact, by budget unit, of the existing hotel and the project on the revenues and expenditures of the City's General Fund. The analysis focuses on the City's ongoing operating revenues and expenditures. Other funds, such as Special Revenue and Enterprise Funds, are assumed to be self-sustaining through offsetting fees or earmarked revenues. All estimates are at time of project buildout and are provided in constant 2005 dollar terms. The analysis is based on a number of sources, including the City of Sunnyvale's 2005/2006 Budget, State data sources, conversations with City staff, and EPS' experience in other jurisdictions.

GENERAL FUND REVENUES

This section describes the methodology and assumptions used for each General Fund revenue items and estimates the revenues generated by the existing hotel and the project that will accrue to the City's General Fund. **Table 2** provides a summary of the City's current General Fund revenues as estimated in the 2005/2006 Budget; see **Table A-13** for impact estimating factors.

The Vehicle License Fee (VLF) revenues generated by the project were estimated on an average per-capita basis, while project-specific calculations were made for other General Fund revenues. The primary sources of annual General Fund revenues generated by the project include transient occupancy taxes (\$830,000), property taxes (\$274,000), Property In-Lieu of VLF (\$95,000), and sales taxes (\$85,000). Total annual General Fund revenues generated by the existing hotel and the project are estimated at about \$813,000 and \$1,314,000 respectively at project buildout, (see **Tables 2** and **A-13**).

Property Tax

For this estimate, it is assumed that new project residential units sold achieve a total value of \$136,000,000 and the hotel value is assessed to be \$92,000,000 (see **Table A-2**), for a total project value of \$228,000,000. Meanwhile the existing hotel is assessed at \$30,256,000. Annual property tax is 1 percent of assessed value, of which the City receives 12 percent. The annual property tax forecast at project buildout is illustrated in **Table A-5**.

Property Transfer Tax

The City will receive property transfer tax for any units that are sold. The City receives \$0.38 for every \$1,000 of value. It is assumed that in any given year, an average of 7 percent of the residential units will be resold.² The annual property transfer tax at project buildout is illustrated in **Table A-5**.

² Based on 2004 resale data provided by DataQuick Information Systems.

Sales Tax

New households and hotel guests associated with the project will purchase retail goods and services in the City. It is expected that each new household will spend, on average, 28 to 42 percent of their income on taxable goods, depending on their income levels.³ At the current time, the City of Sunnyvale has a net retail expenditure leakage of approximately 40 percent—i.e. the City's retail sales are 60 percent of its residents' total retail expenditures. This analysis assumes that this overall leakage rate applied to the project. The City receives one percent sales tax on taxable retail expenditures in the City. **Table A-6** illustrates sales tax forecast at buildout.

It is expected that guests at the existing hotel will on average spend \$60 and that guests at the proposed hotel will spend \$100. It is estimated that the City of Sunnyvale will retain about 70 percent of its hotel guests total retail expenditures (see **Table A-6**).

Transient Occupancy Tax

The City will receive transient occupancy tax (TOT) for persons staying in the existing or proposed hotel. The City receives 8.5 percent of total room revenues. This rate will increase to 9 percent by 2007 if approved by voters in November 2005 (see **Table 7**).

Utility Tax

Utility users' tax is 2 percent of annual utility bills for all electricity, gas, and intrastate telephone service (cable television is not subject to the tax). Assumptions regarding monthly utility bills per household are illustrated in **Table A-4** and the annual utility user's tax forecast at project buildout is illustrated in **Table A-8**.

Franchise Fee

The City collects franchise fees for cable television service in the amount of 5 percent of gross receipts annually; fees for gas and electric are the equivalent of 1 percent of gross receipts annually. Assumptions regarding monthly utility bills per household are illustrated in **Table A-4** and the annual franchise fee forecast at project buildout is illustrated in **Table A-8**.

Vehicle License Fee and Property In-Lieu of VLF

Beginning in the 2005-2006 fiscal year, the State is expected to reduce the VLF received by cities and offset the reduction by property tax in-lieu of VLF. According to the City's 2005/2006 Budget, the City will receive the equivalent of \$5 per capita for the reduced motor vehicle license fee. The revenue lost due to the reduction will be backfilled by property tax, which is based on the growth of the real property assessed value in City of Sunnyvale. **Table A-13** summarizes the result of the fees. More detailed calculation of the VLF and property tax in lieu of VLF is presented in **Table A-9**.

³ Based on Consumer Expenditure Survey published by the U.S. Department of Labor, 2003. Lower income households generally spend a higher proportion of their incomes on retail expenditures.

GENERAL FUND EXPENDITURES

This section provides an overview of the methodology used to estimate the costs of providing General Fund services to the existing hotel and to the project. For the majority of General Fund expenditure items, this fiscal impact analysis uses the City's current mix of residential and hotel development, expressed in terms of Equivalent Dwelling Units (EDUs), as a basis for establishing the current relationship between expenditures and existing and new development. This EDU methodology correlates residential housing units and hotel rooms to an EDU measure, according to the conversion factors summarized in **Table 1** (supporting calculations are presented in **Table A-10**). These conversion factors allow for the expression of all land use development based on a common metric. Using this common metric, this analysis estimates that there are currently an average of 54,000 EDUs in the City of Sunnyvale, 80 in the existing hotel, and 290 in the project.

Current per-EDU factors are estimated by dividing General Fund line items by the number of current EDUs. Current budget items and the resulting EDU-based cost factors are shown in **Table 2**. These cost factors are then multiplied by the projected number of future EDUs to estimate future fiscal impacts. A general description of the method used for this analysis is provided for each expenditure item. Some items are not estimated because they are not forecasted to be affected by the existing hotel or the project.

The primary sources of annual General Fund expenditures generated by the project include police and fire services (\$245,000), others (\$74,000), streets and transportation (\$20,000). The resulting annual General Fund cost was estimated at \$138,000 for the existing hotel and \$408,000 for the project, resulting in an annual fiscal General Fund surplus of about \$675,000 and \$906,000 respectively (see **Tables 2** and **A-13**).

General Government

According to the City's 2005/2006 Budget, the City spends \$247 per EDU to provide general government services, which specifically include the City attorney, employment development, finance, human resources, and manager's office divisions. This analysis assumes that 25 percent of general government costs are variable and likely to increase with the addition of new population (see **Table A-13**).

Community Development

This category includes various development related services, such as community planning. The City spends \$107 per EDU to provide community development services. It is assumed that 50 percent of the department's costs will be affected by the project and that the remaining 50 percent are fixed costs that will not be affected (see **Table A-13**).

Recreation Services

According to the City's 2005/2006 Budget, the City spends \$132 per EDU to provide recreation services. This analysis assumes that 50 percent of recreation services costs are variable and likely to increase with the addition of new population (see **Table A-13**).

Police and Fire Services

It is assumed that the current service level of 3.9 public service officers (including police and fire) per 1,000 EDUs would be maintained and applied to the project. According to the City's 2005/2006 Budget, the City spends \$190,112 per officer. Forecasted public safety department expenditures are illustrated in **Table A-11**.

Public Works

A core service provided by this department is management of the City's parks. The City currently maintains approximately 218 acres of parks. It is assumed that the current service level of 4.1 park acres per 1,000 EDUs would be maintained and applied to the project. According to the City's 2005/2006 Budget, the City spends \$6,118 per park acre. Forecasted ground/park maintenance expenditures are illustrated in **Table A-12**.

This department also provides streets and transportation services, which include transportation operations, pavement operations, and roadside and median right of way services. According to the City's 2005/2006 Budget, the City spends \$75 per EDU to provide streets and transportation services. The analysis assumes that 90 percent of these costs are variable and likely to increase with the addition of new population (see **Table A-13**).

Finally, this department also provides public works support services and engineering services. According to the City's 2005/2006 Budget, the City spends \$41 per EDU to provide these other public works services. The analysis assumes that 90 percent of these costs are variable and likely to increase with the addition of new population (see **Table A-13**).

Others

According to the City's 2005/2006 Budget, the City spends \$507 per EDU to provide other services, including the libraries, community safety services, personnel and training services, special operations, technical services, and public safety administration divisions. This analysis assumes that 50 percent of other costs are variable and likely to increase with the addition of new population (see **Table A-13**).

Table 1
Summary of Project Description
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Development	Amount (1)	Assessed/Market Value (2)		Population Density (3)
		per Room/Unit	Total	
<u>Current Development</u>				
Four Points Sheraton Hotel	378 rooms	\$80,042	\$30,256,000	0.25-0.5 EDU/Room
<u>Proposed Development</u>				
Four Star Hotel	253 rooms	\$244,270	\$92,333,989	0.25-0.5 EDU/Room
Condominiums				
Below Market Rate	31 units	\$214,357	\$6,645,059	2.75 Pers./Hhld.
Market Rate	213 units	\$606,907	\$129,271,186	2.25 Pers./Hhld.
Total	244 units			
Total Proposed Development			\$228,250,234	

(1) From Millennium Hotels & Resorts.

(2) Current land value is \$13,400,000 and current improvement value is \$16,856,000.

Below Market Rate (BMR) pricing from Below Market Rate Housing Program application (August 1, 2005).

Market Rate (MR) pricing from The Ryness Group (after BMR adjustments)

(3) Equivalent Dwelling Units (EDUs) methodology correlates number of hotel rooms and residential housing units to an EDU measure, according to conversion factors presented in this table and Table A-10. These conversion factors allow for the expression of all land use development based on a common metric. One occupied housing unit equals one EDU.

Assumes 2.75 persons per household for BMR units since they typically attract families with larger number of persons per household.

Assumes 2.25 persons per household for MR housing since condos tend to appeal to singles and younger couples without children.

Source: Millennium Hotels & Resorts; The Ryness Company; California Department of Finance; Economic & Planning Systems, Inc

Table 2**Annual Fiscal Impact Summary at Project Buildout (2005 Dollar Terms)
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104**

Item (1)	Scenario 1 (2)	Scenario 2 (3)
<u>City General Fund Revenues</u>		
Property Tax	\$36,300	\$273,900
Property Transfer Tax	--	\$3,700
Sales Tax	\$39,700	\$84,900
Transient Occupancy (TOT) Tax	\$727,000	\$829,700
Utility Users Tax	\$10,000	\$15,700
Franchise Fees	-	\$8,400
Rents and Concessions	-	-
Vehicle License Fee	\$0	\$2,800
Property In-Lieu of VLF	\$0	\$95,200
Grants	-	-
Other Inter-governmental Revenue	-	-
Permits and Licenses	-	-
Fines, Forfeitures, and Penalties	-	-
Service Fees	-	-
Other Revenues	-	-
Subtotal Revenues	\$813,000	\$1,314,300
<u>City General Fund Expenditures</u>		
General Government	\$4,000	\$17,500
Community Development	\$3,500	\$15,200
Recreation Services	\$4,300	\$18,700
Police and Fire Services	\$96,116	\$244,487
Public Works		
Streets & Transportation	\$5,200	\$19,700
Ground/Park Maintenance	\$1,900	\$7,300
Other	\$2,900	\$10,900
Others	\$19,700	\$74,200
Subtotal Expenditures	\$137,600	\$408,000
City General Fund - Net Annual Fiscal Balance	\$675,400	\$906,300

(1) See Table A-13.

(2) Existing Four Points Sheraton Hotel.

(3) Proposed four star hotel and condominiums.

Source: City of Sunnyvale Adopted Fiscal Year 2005/2006 Budget, Economic and Planning Systems, Inc.

Appendix A
Table of Content - Fiscal Impact
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Table #	Name
<u>Project Description</u>	
Table A-1	Detailed Project Description & Assumptions
Table A-2	Proposed Hotel Capitalized Value Calculations
<u>Demographic Data</u>	
Table A-3	Citywide Demographic Data (Year 2004)
Table A-4	Description of Typical New Household
<u>General Fund Revenues</u>	
Table A-5	Property Tax and Property Transfer Tax Calculations
Table A-6	Sales Tax Calculations
Table A-7	Transient Occupancy Tax Calculation
Table A-8	Utility Tax and Franchise Fee Calculations
Table A-9	Vehicle License Fee and Property In-Lieu of VLF Tax Calculations
<u>General Fund Expenditures</u>	
Table A-10	Equivalent Dwelling Units (EDUs) Calculations
Table A-11	Public Safety Department Expenditures
Table A-12	Ground/Park Maintenance Expenditures
<u>Impact Estimating Methodology</u>	
Table A-13	General Fund 2005/2006 and Estimating Factors

Table A-1
Detailed Project Description & Assumptions
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Development	Amount	Annual Occupied Rooms/Units (1)	Avg Room/Unit Size (Sq. Ft.)	Assessed/Market Value (2) per Room/Unit	Population Density (3)	Resident Population
<u>Current Development</u>						
Four Points Sheraton Hotel	378 rooms	94,509	350	\$80,042	0.25-0.5 EDU/Room	0
<u>Proposed Development</u>						
Four Star Hotel (4)	253 rooms	66,307	335	\$244,270	0.25-0.5 EDU/Room	
Condominiums (5)						
Below Market Rate	31 units	30	1,000	\$214,357	2.75 Pers./Hhid.	83
Market Rate	213 units	208	1,000	\$606,907	2.25 Pers./Hhid.	468
Total	244 units	238	--	--	--	552
Total Proposed Development (6)				\$228,250,234		552

- (1) Year 2008 (buildout) projected occupied rooms for Four Points Sheraton Hotel based on market data from Millennium Hotels & Resorts. Assumes residential vacancy rate of 2.26% based on 2004 citywide residential vacancy from Department of Finance.
- (2) Current land value is \$13,400,000 and current improvement value is \$16,856,000.
Below Market Rate (BMR) pricing from Below Market Rate Housing Program application (August 1, 2005).
Market Rate (MR) pricing from The Ryness Group (after BMR adjustments).
- (3) Equivalent Dwelling Units (EDUs) methodology correlates number of hotel rooms and residential housing units to an EDU measure, according to conversion factors presented in this table and Table A-10. These conversion factors allow for the expression of all land use development based on a common metric. One occupied housing unit equals one EDU.
Citywide persons per household is 2.47 based on California Department of Finance data; this includes single and multi-family housing. Assumes 2.75 persons per household for BMR units since they typically attract families with larger number of persons per household.
Assumes 2.25 persons per household for MR housing since condos tend to appeal to singles and younger couples without children.
- (4) Includes 12,005 square feet of meeting space and wedding venue; 3,000 square feet of restaurant and bar; 2,000 square feet of retail; and a health club.
Year 2008 (buildout) projected occupied rooms for proposed hotel based on market data from Millennium Hotels & Resorts.
- (5) Range of one to three bedrooms, including 8 penthouse units.
- (6) Parking is provided for approximately 440 cars at grade, partially covered by landscaped podium and another two tiered parking structure above grade.

Source: Millennium Hotels & Resorts; The Ryness Company; California Department of Finance; Economic & Planning Systems, Inc.

Table A-2
Proposed Hotel Capitalized Value Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Assumptions	Amount
<u>Room Revenue</u>		
Rooms	253	
Days/Year	365	
Occupancy Rate (1)	72%	
ADR (2)	\$147	
Total		\$9,761,678
Other Revenue (3)	34% of Room Revenue	\$3,318,970
Total Revenue		\$13,080,648
<hr/>		
<u>Op. Expenses/Sq. Ft.</u>	40% of Total Revenue	\$5,232,259
<hr/>		
<u>Hotel Value</u>		
Net Operating Income		\$7,848,389
Capitalization Rate	8.5%	
Capitalized Value		\$92,333,989

(1) From Millennium Hotels & Resorts.

(2) From Millennium Hotels & Resorts; represents a \$57 ADR increase from existing hotel.

(3) Assumption for full-service hotel from PKF Consulting.

Source: Millennium Hotels & Resorts; PKF Consulting; Economic & Planning Systems, Inc.

Table A-3
Citywide Demographic Data (Year 2004)
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Amount	Sources
Population	131,709	DoF 2004
Households	52,971	DoF 2004
Pers/Hhld.	2.47	DoF 2004
<u>Housing Units</u>		
Single Family	25,066	DoF 2004
Multi-Family	25,032	DoF 2004
Mobile Homes	<u>4,096</u>	DoF 2004
Total	54,194	DoF 2004

Source: California Department of Finance; City of Sunnyvale; Economic and Planning Systems, Inc.

Table A-4
Description of Typical New Household
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Estimating Factors	Description/Source
Household Income (\$2004)		
Below Market Rate	\$46,718	Table A-6
Market Rate	\$99,205	Table A-6
Typical Utility Bill		
Water	\$30 per mo.	EPS Estimate
Telephone bill (1)	\$40 per mo.	EPS Estimate
Electricity Bill	\$60 per mo.	EPS Estimate
Gas bill	\$35 per mo.	EPS Estimate
Cable bill (2)	\$40 per mo.	EPS Estimate
Total per month	\$205	
Total per year	\$2,460	

(1) Intrastate service only.

(2) Assumes unit receives cable service.

Source: Economic & Planning Systems, Inc.

Table A-5
Property Tax and Property Transfer Tax Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Assumptions	Scenario 1 (1)	Scenario 2 (2)
Existing Assessed Value (3)	See Table A-1	\$30,256,000	--
<u>Proposed Project Assessed Value (4)</u>	See Table A-1		
Hotel		--	\$92,333,989
Residential		--	<u>\$135,916,245</u>
Total		--	\$228,250,234
Total Assessed Value		\$30,256,000	\$228,250,234
Property Tax Total	1% of AV	\$302,560	\$2,282,502
City Property Tax Share	12% of Property Tax	\$36,307	\$273,900
<u>Property Transfer Tax (4)</u>	\$0.38 per \$1,000 value	--	\$3,718

(1) Existing Four Points Sheraton Hotel.

(2) Proposed four star hotel and condominiums.

(3) Current land value is \$13,400,000 and current improvement value is \$16,856,000.

(4) Assumes that on average, 7% of the residential units are sold in a given year based on 2004 resale data.
Assumes no property transfer tax for hotel since there is no change in ownership.

Source: DataQuick Informations Systems; Economic & Planning Systems, inc.

Table A-6
Sales Tax Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Assumptions		Scenario 1	Scenario 2
Residential			
		<u>Below Market Rate</u>	<u>Market Rate</u>
<u>Income Assumptions</u>			
Average unit selling price		\$214,357	\$606,907
Mortgage % (1)		90%	90%
Total mortgage amount		\$192,921	\$546,216
Annual mortgage payment (2)		\$14,016	\$39,682
Housing cost/household income (3)		30%	40%
Required household income/unit (4)		\$46,718	\$99,205
<u>Average Hhld. Taxable Retail Exp.</u>			
% of Income (5)		42%	28%
Total amount		\$19,836	\$27,962
<u>Total Exp. Captured by Sunnyvale</u>			
Expenditures per New Household	60% of taxable exp. (6)	\$11,902	\$16,777
<u>Total New Retail Sales</u>			
New Households		30	208
New Retail Sales		\$360,615	\$3,492,720
Sales Tax Generated From New Households	1% of taxable sales	\$3,606	\$34,927
Total			\$38,533
Hotel			
<u>Income Assumptions</u>			
Rooms	378	253	
Annual Available Room Nights	137,970	92,345	
Occupancy Rate	69%	72%	
Annual Occupied Room Nights	94,509	66,307	
Average Spending per Room Night in Sunnyvale (7)	\$60	\$100	
Total Taxable Revenue	\$5,670,567	\$6,630,674	
Total Captured by Sunnyvale	70% of taxable exp. (8)	\$3,969,397	\$4,641,472
Sales Tax Generated From Hotel Guests	1% of taxable sales	\$39,694	\$46,415
Total Sales Tax Generated From the Project (9)		\$39,694	\$84,948

- (1) Assumes 10% down payment.
(2) Assumes 6% interest rate and 30 year mortgage period.
(3) Affordable housing defined by HUD as 30% of area income.
(4) The starting point is the price points required by the City for below market rate units and the market value for market rate units.
(5) Based on Bureau of Labor Statistics Consumer Expenditure Survey (2002-2003).
(6) Assumes 60% of taxable retail spending by Sunnyvale residents are captured by retailers within the City.
This includes local retail expenditures and a small proportion of regional retail expenditures.
(7) In addition to spending on room rental.
(8) Assumes 70% of taxable retail spending by hotel guests are captured by retailers within the City.
(9) Represents combined new sales taxes from below market rate and market rate units.

Source: U.S. Bureau of Labor Statistics; CA Board of Equalization; Economic and Planning Systems, Inc.

Table A-7
Transient Occupancy Tax Calculation
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Development	Scenario 1	Scenario 2
<u>Room Revenue</u>		
Rooms	378	253
Days/Year	365	365
Occupancy Rate (1)	69%	72%
ADR (1)	<u>\$91</u>	<u>\$147</u>
Total	\$8,553,105	\$9,761,678
TOT Tax Revenues (2)	\$727,014	\$829,743

(1) From Millennium Hotels & Resorts.

(2) TOT tax rate is 8.5%; this rate will increase to 9% by 2007 if approved by voters in November 2005.

Source: City of Sunnyvale; Millennium Hotels & Resorts; PKF Consulting; Economic & Planning Systems, Inc.

Table A-8
Utility Tax and Franchise Fee Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Scenario 1	Scenario 2
Residential		
Utility Tax:		2%
Annual Utility Bill Per Home (1)		\$1,620
Tax per Home		<u>\$32</u>
Total Utility Taxes		\$7,727
Franchise Fees: (2)		
<u>Cable</u>		5%
Annual Cable Bill Per Home		\$480
Franchise Fee per Home		<u>\$24</u>
Total Cable		\$5,724
<u>Electric and Gas</u>		1%
Annual Electric & Gas Bill Per Home		\$1,140
Franchise Fee per Home		<u>\$11</u>
Total Gas & Electric		\$2,719
Total Franchise Fees		\$8,442
Hotel		
Utility Tax:	2%	2%
Average Annual Utilities per Room (3)	\$1,323	\$1,581
Rooms	<u>378</u>	<u>253</u>
Total Utilities	\$500,000	\$400,000
Total Utility Tax	\$10,000	\$8,000

(1) Includes electricity, gas, and intrastate telephone bills. Excludes cable service, because cable is not subject to utility users tax.

(2) Calculated on cable, electric, and gas services.

(3) Estimates from Millennium Hotels & Resorts.

Source: Millennium Hotels & Resorts; City of Sunnyvale; Economic & Planning Systems, Inc

Table A-9
Vehicle License Fee and Property In-Lieu of VLF Tax Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Scenario 1	Scenario 2
<u>Vehicle License Fee</u>		
Motor Vehicle License Fee General Fund Revenue (1) per Capita	\$689,738 \$5	\$689,738 \$5
Resident Project Population (2)	0	552
Total Vehicle License Fee	\$0	\$2,759
<u>Property In-Lieu of VLF</u>		
Property In-Lieu of VLF General Fund Revenue (1)	\$7,619,808	\$7,619,808
City Assessed Value (Base Value) (3)	\$18,264,398,954	\$18,264,398,954
Project Assessed Value	--	\$228,250,234
% Increase in Assess Value	--	1.2%
Total Motor Vehicle License In-Lieu Fee	\$0	\$95,225

(1) See Table A-13.

(2) See Table A-1

(3) Fiscal year 2003-04 assessed value from County of Santa Clara Assessor.

Source: City of Sunnyvale; County of Santa Clara Assessor; Economic & Planning Systems, Inc.

Table A-10
Equivalent Dwelling Units (EDUs) Calculations
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Items	EDU Conversion Factors (1)	Sunnyvale	Scenario 1	Scenario 2
Occupied Dwelling Units		52,971	0	238
<u>Hotel</u>				
Number of Rooms (2)		3,763	378	253
Occupancy Rate (3)		70%	69%	72%
Occupied Rooms		2,634	259	182
Annual Occupied Room Nights		961,447	94,509	66,307
<u>Hotel EDUs</u>				
General Government (4)	0.25	659	65	45
Community Development	0.25	659	65	45
Recreation Services	0.25	659	65	45
Police and Fire Services	0.50	1,317	129	91
Public Works				
Streets & Transportation (5)	0.30	790	78	54
Ground/Park Maintenance	0.30	790	78	54
Other (6)	0.30	790	78	54
Others (7)	0.30	790	78	54
<u>Total EDUs</u>				
General Government (4)		53,630	65	284
Community Development		53,630	65	284
Recreation Services		53,630	65	284
Police and Fire Services		54,288	129	329
Public Works				
Streets & Transportation (5)		53,761	78	293
Ground/Park Maintenance		53,761	78	293
Other (6)		53,761	78	293
Others (7)		53,761	78	293

(1) EPS.

(2) Number of Rooms for Sunnyvale from City of Sunnyvale Finance Department.

(3) Though the Silicon Valley occupancy rate is currently lower than 70%, the costs of providing public services do not decrease as a result of the performance of the market; therefore, this healthy market occupancy level is used.

(4) Include city attorney, employment development, finance, human resources, and manager's office.

(5) Include transportation operations, pavement operations, and roadside & median right of way services.

(6) Include public works support services and engineering services.

(7) Include libraries and Public Safety (less Police & Fire Services),

Source: California Department of Finance; City of Sunnyvale; Economic and planning Systems, Inc.

Table A-11
Public Safety Department Expenditures
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Scenario 1	Scenario 2
Existing Officers 2004 (1)	212	212
Officers per 1,000 EDUs	3.9	3.9
Project EDUs	129	329
Project Officers Required	0.5	1.3
Annual General Fund Expenditures (2)	\$40,303,819	\$40,303,819
Annual Variable General Fund Expenditure per Officer	\$190,112	\$190,112
Project Total Cost	\$96,116	\$244,487

(1) Includes police and fire services; City has a combined police and fire department.

(2) Estimated from Adopted Fiscal Year 2005/2006 Budget for the City of Sunnyvale.

Source: City of Sunnyvale; Economic & Planning Systems, Inc.

Table A-12
Ground/Park Maintenance Expenditures
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Scenario 1	Scenario 2
Existing Park Acres (1)	218	218
Park Acres Per 1,000 EDUs	4.1	4.1
Project EDUs	78	293
Project Park Acres Required	0.3	1.2
Annual General Fund Expenditures (2)	\$1,333,615	\$1,333,615
Annual Variable General Fund Expenditure per Acre	\$6,118	\$6,118
Project Total Cost	\$1,927	\$7,268

(1) Current City service standard is 5.79 acres of open space per 1,000 population. This includes school properties that City maintains and has access to, such as playgrounds.

(2) Estimated from Adopted Fiscal Year 2005/2006 Budget for the City of Sunnyvale.

Source: City of Sunnyvale; Economic & Planning Systems, Inc.

Table A-13
General Fund 2005/2006 and Estimating Factors
DRAFT Sunnyvale Fiscal Impact Study; EPS #15104

Item	Table Ref.	2005-2006 Adopted General Fund	Allocation Factor	Percent Variable Costs (1)	Scenario 1 (2)	Scenario 2 (3)
<u>City General Fund Revenues</u>						
Property Tax	Table A-5	\$21,915,949	12% of 1% of assessed value	-	\$36,300	\$273,900
Property Transfer Tax	Table A-5	\$705,000	\$0.38 per \$1,000 of home price	-	-	\$3,700
Sales Tax	Table A-6	\$26,133,903	1% of estimated taxable sales	-	\$39,700	\$84,900
Transient Occupancy (TOT) Tax		\$5,250,225	8.5% of hotel revenue	-	\$727,000	\$829,700
Utility Users Tax	Table A-8	\$6,015,416	2% of assessed value	-	\$10,000	\$15,700
Franchise Fees	Table A-8	\$5,455,378	1-5% of assessed value	-	-	\$8,400
Rents and Concessions		\$1,765,065	- not estimated	-	-	-
Vehicle License Fee	Table A-9	\$689,738	\$5 per capita	-	\$0	\$2,800
Property In-Lieu of VLF	Table A-9	\$7,619,808	varies;	-	\$0	\$95,200
Grants		\$0	- not estimated	-	-	-
Other Inter-governmental Revenue		\$108,599	- not estimated	-	-	-
Permits and Licenses		\$4,753,198	- not estimated	-	-	-
Fines, Forfeitures, and Penalties		\$728,113	- not estimated	-	-	-
Service Fees (4)		\$2,314,426	- not estimated	-	-	-
Other Revenues (5)		\$18,981,225	- not estimated	-	-	-
Subtotal Revenues		\$102,436,043		-	\$813,000	\$1,314,300
<u>City General Fund Expenditures</u>						
General Government (6)		\$13,243,613	\$247 per EDU	25%	\$4,000	\$17,500
Community Development		\$5,729,918	\$107 per EDU	50%	\$3,500	\$15,200
Recreation Services		\$7,079,202	\$132 per EDU	50%	\$4,300	\$18,700
Police and Fire Services	Table A-11	\$40,303,819	\$190,112 per officer	100%	\$96,100	\$244,500
Public Works						
Streets & Transportation (7)		\$4,020,275	\$75 per EDU	90%	\$5,200	\$19,700
Ground/Park Maintenance	Table A-12	\$1,333,615	\$6,118 per park acre	100%	\$1,900	\$7,300
Other (8)		\$2,213,003	\$41 per EDU	90%	\$2,900	\$10,900
Others (9)		\$27,239,264	\$507 per EDU	50%	\$19,700	\$74,200
Subtotal Expenditures		\$101,162,710			\$137,600	\$408,000
City General Fund - Net Annual Fiscal Balance		-			\$675,400	\$906,300

(1) Percentage of costs that increases with growth, as opposed to fixed costs.

(2) Existing Four Points Sheraton Hotel.

(3) Proposed four star hotel and condominiums.

(4) Include community development, finance fees, library fees, public safety fees, public works fees, and city-wide fees.

(5) Include State Shared Revenue (less VLF), Private Donation and Repayment, Loan Repayment, Interest Income, Interfund Revenues, Sales of Property, Transfer-In, and other miscellaneous revenues and taxes.

(6) Include city attorney, employment development, finance, human resources, and manager's office.

(7) Include transportation operations, pavement operations, and roadside and median right of way services.

(8) Include public works support services and engineering services.

(9) Include libraries and Public Safety less Police & Fire Services (Community Safety Services, Personnel and Training Services, Special Operations, Technical Services, and Public Safety Administration).

Source: City of Sunnyvale Adopted Fiscal Year 2005/2006 Budget, Economic and Planning Systems, Inc.